

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NSCE-00 EB-08 SSO-00 ONY-00 /021 W  
-----011213 132240Z /61

O 132217Z JAN 78  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC NIACT IMMEDIATE 5961

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 00222

LIMDIS

DEPARTMENT DISTRIBUTE ONLY TO VICE PRESIDENT'S OFFICE  
(CLIFT), EUR (VEST), EUR/CAN (ROUSE), AND EB (KATZ)

EO 11652: GDS  
TAGS: PFOR, CA  
SUBJECT: VICE PRESIDENT'S MEETING WITH TRUDEAU, CANADIAN  
CABINET, LOUGHEED

1. SMALL MEETING WITH TRUDEAU. SUGGEST AGENDA BE LIMITED  
TO QUEBEC, INTERNATIONAL ISSUES. (HEAD AGREES, BUT SAYS  
TRUDEAU WILL PROBABLY OPEN WITH BRIEF REFERENCE TO US-CANADA  
RELATIONSHIP, COMMENTING POSITIVELY ON HOW WE ARE MANAGING  
IT.)

-----ON QUEBEC, EXPRESS AGAIN (AS PRESIDENT CARTER DID  
LAST FEBRUARY) IMPORTANCE TO U.S. OF THE STABILITY AND  
UNITY OF CANADA. ASK IF THERE IS ANYTHING WE CAN USEFULLY  
DO, WHILE RESTATING THAT WE DO NOT INTEND TO INTERFERE.  
NOTE WE ARE ENCOURAGING U.S. INVESTORS NOT TO OVER-REACT.  
ASK FOR QUEBEC ASSESSMENT.

-----HANDLE PRESIDENT'S TRIP, MID-EAST, SALT, AND IF TIME  
PERMITS SOUTHERN AFRICA AND NORTH-SOUTH DIALOGUE PER BRIEFING  
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BOOK. (HEAD SAYS TRUDEAU MAY MENTION WORLD ECONOMY. IN  
ADDITION, HE MAY REFER TO SUCH BILATERAL ISSUES AS CONVENTION  
TAX, EXTRA-TERRITORIALITY AND ENVIRONMENT WITH UNDERSTANDING  
FULLER DISCUSSION OF THEM WILL TAKE PLACE IN LARGER MEETING.)

2. LARGER MEETING WITH DEPUTY PRIME MINISTER MACEACHEN AND  
OTHER CANADIAN MINISTERS PRESENT. (HEAD SAYS TRUDEAU WILL

GET THIS MEETING STARTED BUT MAY NOT BE ABLE TO REMAIN THROUGH TO CONCLUSION.) AS OF NOW FOLLOWING ITEMS ARE ALL AGREED IN PRINCIPLE.

-----REVIEW U.S. ECONOMIC OUTLOOK AND STRATEGY. ASK ABOUT CANADA'S. ONE OF CANADIAN MINISTERS WILL TAKE INITIATIVE TO PROPOSE THAT FINANCE MINISTERS MEET IN EARLY MARCH TO GO OVER PROSPECTS FOR BOTH ECONOMIES.

-----REASSERT IMPORTANCE TO U.S. OF SUCCESSFUL MTN. NOTE MAJOR U.S. RESPONSE (DOLLARS 2.1 OUT OF DOLLARS 2.4 BILLION TO CANADIAN REQUESTS FOR MORE THAN FORMULA CUTS. SAY WE WILL TRY TO MAINTAIN OFFER, BUT NEED RECIPROCITY. NAIL DOWN THAT CANADA ALSO WILL BE A FORMULA COUNTRY. GIVE MACEACHEN DETAILED OFFERS. DISCUSS POLITICAL PROBLEMS OF HOLDING THE LINE AGAINST PROTECTIONISM.

-----AGREE BOTH SIDES WILL ENCOURAGE NEW SHORT-TERM GAS EXPORTS WITH SWAP-BACK OPTION IN ORDER TO FACILITATE PRE-BUILDING OF SOUTHERN SECTION OF THE ALCAN LINE. NOTE SUBSTANTIAL U.S. RESPONSE TO ALBERTA INTERESTS IN BEEF, CATTLE, RAPE SEED AND PETRO-CHEMICAL CONCESSIONS. AGREE THAT NEW CONTRACTS WOULD BE PROCESSED IN THE USUAL WAY BY REGULATORY BODIES IN BOTH COUNTRIES, AND THAT THE TWO ENERGY DEPARTMENTS SHOULD SET UP A JOINT WORKING GROUP TO DEFINE PRECISE TERMS. AGREE TO ANNOUNCE IN OTTAWA WITH CAVEAT THAT FINAL GO-AHEAD WOULD REQUIRE APPROVAL OF ALBERTA.  
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-----AGREE TO JOINT STUDY OF JOINT OIL STORAGE IN MARITIMES ON 90-DAY SCHEDULE AND HOPEFULLY LEADING TO POSITIVE DECISION.

-----AGREE TO JOINT STUDY OF ELECTRICITY EXCHANGES.

-----EXPRESS INTEREST IN CONSIDERATION OF OIL TRANSPORT OPTIONS (INCLUDING KITIMAT) RECOGNIZING POLITICAL SENSITIVITY BUT EXPRESSING HOPE NEB WOULD BE ABLE TO COMPLETE ITS KITIMAT EVALUATION IN TWELVE MONTHS. SAY U.S. WILL TREAT CANADA'S INTEREST IN USING SURPLUS CAPACITY OF MARITIME REFINERIES TO SERVICE U.S. MARKET IN THE SAME WAY. ASK HOW THESE ISSUES SHOULD BE HANDLED IN PUBLIC.

-----SAY THAT ADMINISTRATION WILL PROPOSE TAX AMENDMENT PERMITTING CONVENTIONS ABROAD WHERE THERE IS A "GOOD REASON SINCE MANY CANADIAN AND U.S. ORGANIZATIONS HAVE OVERLAPPING MEMBERSHIPS AND SCOPE, THIS SHOULD HELP CANADA. NOTE AWARENESS THAT CANADA MAY WISH TO NEGOTIATE FOR ADDITIONAL ADVANTAGE AND THAT U.S. IS PREPARED TO DO SO IN TAX TREATY CONTEXT. (AT THIS POINT CANADIANS WILL NOT RPT NOT AGREE THAT WHAT WE OFFER IS ENOUGH.)  
PROBLEM, PROPOSING THAT U.S. WOULD NOT IN FIRST INSTANCE SEEK TO CONTACT OR SUBPOENA RESIDENTS OF CANADA (INCLUDING

U.S. SUBSIDIARIES) IN ANTI-TRUST ISSUES, PROVIDED CANADA  
WOULD HELP US OBTAIN INFORMATION EXCEPT IN CASES OF OVER-  
RIDING NATIONAL INTEREST. AGREE TO LIMIT SUCH EXCEPTIONS  
TO MINIMUM NECESSARY.  
-----REVIEW PROGRESS IN SEAWARD BOUNDARIES/RESOURCES TALKS.  
STRESS POLITICAL IMPORTANCE OF MEETING END JANUARY DEADLINE  
(CAN'T HOLD U.S. FISHING INTERESTS FOREVER).

3. LOUGHEED MEETING. AS OF NOW HAVE NOT RPT NOT GOT  
DEFINITIVE RESPONSE ON WHETHER THIS WILL FLY WITH ALBERTA.

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C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 00222

LIMDIS

C O R R E C T E D C O P Y-CAPTION "LIMDIS" ADDED

-----SAY U.S. RECOGNIZES ALBERTA'S TRADE INTERESTS IN CON-  
NECTION WITH ADDITIONAL GAS SALES. NOTE OUR FULL RESPONSE  
IN BEEF AND CATTLE, PETRO-CHEMICALS, AND RAPESEED TARIFF  
AREAS, CAUTIONING THAT WE INTEND TO KEEP THESE OFFERS ON  
THE TABLE PROVIDED ADDITIONAL GAS IS SUBSTANTIAL ENOUGH  
TO PREBUILD LOWER SECTION OF THE ALCAN LINE AND PROVIDED  
OTHER PARTNERS IN MTN GIVE RECIPROCITY. (JAPAN AND  
AUSTRALIA ARE PRINCIPAL SUPPLIERS OF MOST OF THE ITEMS).  
NOTE WE BELIEVE THAT INFORMAL TRADE ARRANGEMENTS WITH  
CANADA UNDER U.S. BEEF IMPORT LAW MAY NOT BE RESTRICTIVE  
THIS YEAR. SAY WE ARE WILLING TO DISCUSS BILATERALLY HOW  
TO MAKE THESE ARRANGEMENTS AS LITTLE ONEROUS AS POSSIBLE.  
AGREE TO ANNOUNCE THAT IN CONTEXT U.S. EFFORTS TO RESPOND  
FO CANADIAN TRADE INTERESTS IN MTN, ALBERTA AND U.S. WOULD  
ENCOURAGE NEW SHORT-TERM CONTRACTS WITH A VIEW TOWARD PRE-  
UILDING LOWER SECTIONS OF THE ALCAN LINE.  
-----SAY WHAT U.S. CAN DO AND IS DOING ABOUT U.S. CATTLE  
PICKETS AT BORDER.

4. DRAFT STATEMENT FOR MEETING PRESS AFTER TRUDEAU MEETING. BEGIN TEXT. PRIME MINISTER TRUDEAU AND I REVIEWED THE GREAT PROGRESS IN OUR RELATIONSHIP OVER CONFIDENTIAL

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THE LAST TWELVE MONTHS, THE NEW CONFIDENCE AND WARMTH BETWEEN US, AND OUR SUCCESS IN SO MANY AREAS -- THE GAS PIPELINE, CROSS BORDER ENVIRONMENT ISSUES, THE SEAWAY, OUR ONGOING SEAWARD BOUNDARY AND RESOURCE NEGOTIATIONS. (RECOGNIZE ALSO MACEACHEN, OTHER CANADIAN MINISTERS, U.S. SENATORS, CHAIRMEN OF CANADIAN HOUSE AND SENATE EXTERNAL RELATIONS COMMITTEES.)

5. WE AGREED ON A NUMBER OF ACTIONS TO SOLVE THE FEW REMAINING PROBLEMS, AND TO BRING OUR COOPERATION INTO NEW AREAS.

----- TO INTENSIFY OUR ECONOMIC COOPERATION WE DECIDED TO ASK OUR FINANCE MINISTERS TO MEET. TREASURY SECRETARY BLUMENTHAL AND COUNCIL OF ECONOMIC ADVISORS CHAIRMAN SCHULTZE WILL COME TO OTTAWA IN EARLY MARCH.

----- WE AGREED ON THE IMPORTANCE OF ALL COUNTRIES HOLDING THE LINE ON PROTECTIONISM AND MAKING THE MULTILATERAL TRADE NEGOTIATIONS A SUCCESS. SUBJECT TO RECIPROCITY, THE U.S. WILL TABLE IN GENEVA THIS WEEK OFFERS COVERING NEARLY ALL OF CANADA'S REQUESTS FOR MORE THAN FORMULA CUTS.

----- WE AGREED TO ENCOURAGE NEW SHORT-TERM GAS CONTRACTS, WITH A SWAP-BACK PROVISION, IN ORDER TO FACILITATING PRE-BUILDING OF THE LOWER SECTION OF THE ALCAN LINE. THE TWO ENERGY DEPARTMENTS WILL WORK OUT TERMS FOR THESE CONTRACTS, WHICH MUST ALSO GO THROUGH THE USUAL REGULATORY PROCESS. I EXPECT TO BE DISCUSSING THIS QUESTION WITH PREMIER LOUGHEED TOMORROW.

----- WE AGREED TO DO A 90-DAY STUDY OF JOINT STRA-  
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TEGIC OIL STORAGE IN NEWFOUNDLAND AND NOVA SCOTIA, WHICH HOPEFUL WILL LEAD TO A POSITIVE DECISION. THIS WOULD PROVIDE PROTECTION TO BOTH THE NORTH-EAST U.S. AND EASTERN CANADA IN AN EMERGENCY.

----- WE WILL DO A JOINT STUDY OF WAYS OF INCREAS-  
ING OUR TWO-WAY ELECTRICITY EXCHANGES.

----- THE U.S. ADMINISTRATION WILL PROPOSE AN AMEND-  
MENT TO THE TAX CODE TO ALLEVIATE THE IMPACT ON  
CANADA OF OUR NEW RULES ON CONVENTION TAX WRITE-  
OFFS. WE BELIEVE THIS WILL REOPEN OPPORTUNITIES  
FOR CANADIAN CONVENTION FACILITIES. I UNDERSTAND  
CANADA MAY WISH TO DISCUSS THIS MATTER FURTHER IN  
OUR CONTINUING TAX TREATY NEGOTIATIONS AND WE ARE  
PREPARED TO DO SO.

----- WE AGREED TO MAKE NEW EFFORTS TO ALLEVIATE THE  
PROBLEMS CAUSED BY THE EXTRATERRITORIAL APPLICATION  
OF THE LAWS OF EACH COUNTRY IN THE OTHER, AND I MADE  
AN IMPORTANT NEW PROPOSAL CONCERNING ANTI-TRUST/  
ANTI-COMBINES ISSUES TO THE PRIME MINISTER. END  
TEXT. ENDERS

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## Message Attributes

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